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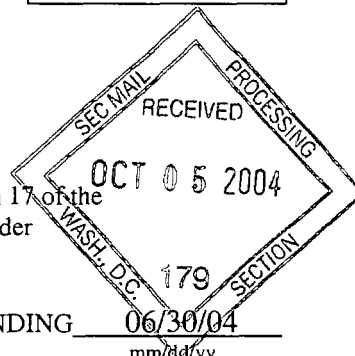
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OCT 11 2004

THOMSON  
FINANCIAL

FACING PAGE

Information required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



REPORT FOR THE PERIOD BEGINNING 07/01/03 AND ENDING 06/30/04  
mm/dd/yy mm/dd/yy

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

FORTREND SECURITIES, INC.

OFFICIAL USE ONLY

FIRM ID. NO

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No)

1163 WAGON WHEEL CIRCLE

(No and Street)

RENO

(city)

NEVADA

(State)

89503

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JOSEPH FORSTER

61 03 9650 8400

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose option is contained in this Report\*

Ernst Winter & Associates, Certified Public Accountants

(Name - if individual, state last, first, middle name)

675 Ygnacio Valley Road, Suite B-213,

(Address)

Walnut Creek,

(City)

California

(State)

94596

(Zip Code)

CHECK ONE:

- ☒ (X) Certified Public Accountant  
☐ ( ) Public Accountant  
☐ ( ) Accountant nor resident in United State or any of its possession.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the option of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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## OATH OR AFFIRMATION

I, **JOSEPH FORSTER**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of **FORTREND SECURITIES, INC.**, as of **JUNE 30, 2004**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

  
Signature

**PRESIDENT**  
Title

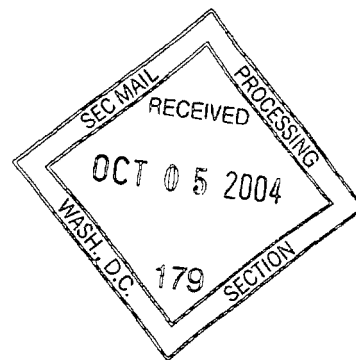
  
Notary Public

RANDOLPH WHITNEY BAE  
Notary Public, State of New York  
No. 31-5002971  
Qualified in New York County  
Commission Expires **12.6.06**

This report\*\* contains (check all applicable boxes):

- |                                     |     |   |
|-------------------------------------|-----|---|
| <input checked="" type="checkbox"/> | (a) | Facing page.  |
| <input checked="" type="checkbox"/> | (b) | Statement of Financial Conditions.  |
| <input checked="" type="checkbox"/> | (c) | Statement of Income (Loss).   |
| <input checked="" type="checkbox"/> | (d) | Statement of Cash Flows.  |
| <input checked="" type="checkbox"/> | (e) | Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.   |
| <input type="checkbox"/>            | (f) | Statement of Changes in Liabilities Subordinated to Claims of Creditors.  |
| <input checked="" type="checkbox"/> | (g) | Computation of Net Capital.   |
| <input checked="" type="checkbox"/> | (h) | Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.  |
| <input checked="" type="checkbox"/> | (i) | Information Relating to the Possession or control Requirements Under Rule 15c3-3.   |
| <input checked="" type="checkbox"/> | (j) | A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirement Under Exhibit A of Rule 15c3-3. |
| <input type="checkbox"/>            | (k) | A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.  |
| <input checked="" type="checkbox"/> | (l) | An Oath or Affirmation.   |
| <input type="checkbox"/>            | (m) | A copy of the SIPC Supplemental Report.   |
| <input type="checkbox"/>            | (n) | A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.   |
| <input checked="" type="checkbox"/> | (o) | Independent Auditor's Report on Internal Accounting Control.  |

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



**Fortrend Securities, Inc.**

**Annual Audit Report**

**June 30, 2004**

***ERNST WINTTER & ASSOCIATES***  
***Certified Public Accountants***

# Fortrend Securities, Inc.

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675 Ygnacio Valley Road, Suite B-213  
Walnut Creek, California 94596

(925) 933-2626  
Fax (925) 944-6333

Independent Auditor's Report

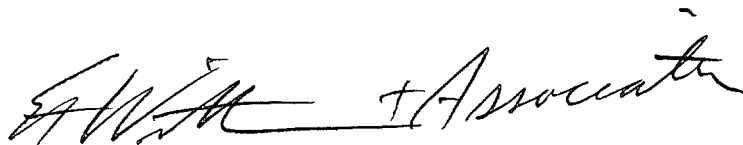
Board of Directors  
Fortrend Securities, Inc.  
Reno, Nevada

We have audited the accompanying statement of financial condition of Fortrend Securities, Inc. as of June 30, 2004, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fortrend Securities, Inc. at June 30, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I & II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 + Associates

August 16, 2004

# Fortrend Securities, Inc.

## Consolidated Statement of Financial Condition

June 30, 2004

### Assets

Cash and cash equivalents	\$ 241
Certificates of deposit	39,053
Securities owned	7,304
Due from clearing broker	518,626
Deposit with clearing broker	250,000
Other receivables	23,220
Prepaid expenses and other assets	<u>149,028</u>
Total assets	<u>\$ 987,472</u>

### Liabilities and Stockholder's Equity

Accrued wages	\$ 34,000
Accounts payable	30,775
Securities sold, not yet purchased	87,000
Taxes payable	<u>9,459</u>
Total liabilities	161,234

### Stockholder's equity

Common stock (no par value, 6,000 shares authorized; 3,000 shares issued and outstanding)	\$ 55,622
Paid in capital	226,167
Retained earnings	<u>544,449</u>
Total stockholder's equity	<u>826,238</u>
Total liabilities and stockholder's equity	<u>\$ 987,472</u>

See independent auditor's report and accompanying notes.

**Fortrend Securities, Inc.**  
**Consolidated Statement of Income**  
**For the Year Ended June 30, 2004**

Revenue	
Commission revenue	\$ 1,137,791
Interest and dividend income	26,197
Other income	27,105
Gain on securities	<u>1,786</u>
Total revenue	1,192,879
Expenses	
Compensation	395,041
Office and administrative expense	380,054
Professional fees	44,646
Clearing fees	17,928
Interest expense	2,503
Other operating expenses	<u>71,937</u>
Total expenses	912,109
Loss before income taxes	<u>280,770</u>
Income tax benefit	<u>10,259</u>
Net income	<u>\$ 270,511</u>

See independent auditor's report and accompanying notes

**Fortrend Securities, Inc.**

**Consolidated Statement of Changes in Stockholder's Equity**

**For Year Ended June 30, 2004**

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Stockholder's Equity</u>
Beginning balances, June 30, 2003	\$ 55,622	\$ 226,167	\$ 273,938	\$ 555,727
Net income			270,511	270,511
Ending balances, June 30, 2004	<u>\$ 55,622</u>	<u>\$ 226,167</u>	<u>\$ 544,449</u>	<u>\$ 826,238</u>

See independent auditor's report and accompanying notes.



**Fortrend Securities, Inc.**

**Consolidated Statement of Cash Flows**

**For the Year Ended June 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 270,511
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Certificates of deposit	80,228
Securities owned	(3,905)
Due from clearing broker	(302,632)
Other receivables	(16,936)
Due from shareholder	12,797
Prepaid expenses and other assets	(149,028)
Increase (decrease) in:	
Accrued wages	19,000
Accounts payable	14,633
Securities sold, not yet purchased	64,200
Taxes payable	<u>9,459</u>
Net cash provided (used) by operating activities	(1,673)

**CASH FLOWS FROM FINANCING ACTIVITIES** 0

**CASH FLOWS FROM FINANCING ACTIVITIES** 0

Net increase (decrease) in cash and equivalents	\$ (1,673)
Cash and equivalents, June 30, 2003	<u>1,914</u>
Cash and equivalents, June 30, 2004	<u>\$ 241</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Income taxes paid	<u>\$ 800</u>
-------------------	---------------

See independent auditor's report and accompanying notes.

# Fortrend Securities, Inc.

## Notes to the Consolidated Financial Statements

June 30, 2004

(1) Organization

Fortrend Securities, Inc. (the "Company"), a Delaware corporation, was incorporated on March 8, 1992, and registered as a broker-dealer in the State of California on May 18, 1992. The Company was approved for membership by the National Association of Securities Dealers, Inc. on September 7, 1993. The Company engages primarily as a clearing conduit for the sales of U.S. securities to Australian investors through its wholly-owned Australian subsidiary, Fortrend Securities Pty. Ltd. (the Subsidiary). The Subsidiary was incorporated in 1992 and engages in the brokerage of securities in Australia.

(2) Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include accounts of the Company and its wholly-owned subsidiary. The Company is engaged in a single line of business as a securities broker-dealer.

Security Transactions

Customer securities transactions and related commission income and expenses are recorded on a trade date basis.

Cash and Cash Equivalents

The Company considers all demand deposits held in banks and certain highly liquid investments with maturities of 90 days or less, other than the deposit at clearing broker, to be cash equivalents.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Securities Owned & Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased consist of equity securities and are stated at market value with related changes in unrealized appreciation or depreciation reflected in trading profit. Securities sold, not yet purchased represent obligations of the Company to deliver specified securities at predetermined prices. The Company is obligated to acquire the securities sold short at prevailing market prices in the future to satisfy these obligations.

# Fortrend Securities, Inc.

## Notes to the Consolidated Financial Statements

June 30, 2004

(2) Summary of Significant Accounting Policies (Continued)

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, while the income statement accounts are translated at average rates of exchange for the year. Gains or losses resulting from foreign currency transactions are included in net income.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Income Taxes

Income taxes are determined based upon Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which requires recognition of deferred tax assets or liabilities for the expected future tax consequences of events that are included in the financial statements and tax returns in different periods.

The Company's total deferred tax assets and liabilities as of June 30, 2004 are as follows:

Deferred tax assets	
Federal	\$ 109,300
Foreign	420
Deferred tax liabilities	
Federal	(30,510)
Valuation allowance	(79,210)
Net deferred taxes	<u>\$ 0</u>

Deferred tax liabilities relate primarily to the differences of using the cash method of accounting for tax purposes and the accrual method for financial statement purposes. The deferred tax assets are the result of federal net operating loss carryforwards and the differences of using the cash method of accounting for tax purposes and the accrual method for financial statement purposes. As of June 30, 2004, the Company had federal loss carryforwards of \$643,623 that may be used to offset future taxable income. The federal loss carryforwards are due to expire in the years 2012 through 2023. A valuation allowance \$79,210 has been established for those deferred tax assets that will more likely than not be unrealized. This is a decrease of \$54,590 from the prior year's valuation allowance.

# Fortrend Securities, Inc.

## Notes to the Consolidated Financial Statements

June 30, 2004

(3) Income Taxes (Continued)

The income tax expense (benefit) for the year ended June 30, 2003 consists of the following:

Current:	
State	\$ 10,259

(4) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1) which requires the Company to maintain a minimum net capital equal to or greater than \$100,000 and a ratio of aggregate indebtedness to net capital not exceeding 15 to 1, both as defined. At June 30, 2004, the Company's net capital was \$589,874, which exceeded the requirement by \$489,874.

(5) Security Interest

The Australian Securities and Investment Commission (ASIC) requires a security of \$20,000 Australian dollars to be pledged to the ASIC. At June 30, 2004, \$20,000 Australian dollars or \$13,912 US dollars of the Company's certificates of deposit held at the Bank of Melbourne is restricted from withdrawal as collateral to the ASIC.

(6) Related Party Transactions

The Company is affiliated with Paine Webber Pty. Ltd., an Australian corporation. The Company's officer and sole shareholder is also an officer and major shareholder of Paine Webber Pty. Ltd. During the year ended June 30, 2004, the Company paid compensation overhead and other expenses to Paine Webber Pty. Ltd. totaling \$840,194. Included in accounts payable is \$24,727 due to Paine Webber Pty. Ltd. at June 30, 2004.

(7) Financial Instruments With Off-Balance-Sheet Risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

**SUPPLEMENTAL INFORMATION**

**Fortrend Securities, Inc.**

**Schedule I**  
**Computation of Net Capital Under Rule 15c3-1 of**  
**the Securities and Exchange Commission**

**As of June 30, 2004**

**Net Capital:**

Total stockholder's equity qualified for net capital		\$ 826,238
Less: Non-allowable assets		
Cash held outside of the United States	\$ 241	
Certificates of deposit held outside of the United States	39,053	
Other receivables	23,220	
Prepaid expenses and other assets	<u>149,028</u>	
Total non-allowable assets		<u>211,542</u>
Net capital before haircuts		\$ 614,696
Less: Haircuts on securities		<u>24,822</u>
Net capital		\$ 589,874
Net minimum capital requirement of 6.67% of aggregate indebtedness of \$161,234 or \$100,000, whichever is greater		<u>100,000</u>
Excess net capital		<u><u>\$ 489,874</u></u>

**Reconciliation with Company's Net Capital Computation**  
**(included in Part II of Form X-17A-5 as of June 30, 2004)**

Net capital as reported in Company's Part II of Form X-17A-5 as of June 30, 2004	\$ 596,831
Increase in stockholder's equity	11,113
Increase in nonallowable assets	(14,240)
Increase I haircuts on securities	<u>(3,830)</u>
Net capital per above computation	<u><u>\$ 589,874</u></u>

**Fortrend Securities, Inc.**

**Schedule II**

**Computation for Determination of Reserve Requirements  
Pursuant to Rule 15c3-3 of the  
Securities and Exchange Commission**

**June 30, 2004**

An exception from Rule 15c3-3 is claimed, based upon section (k)(2)(ii). All customer transactions are cleared through a clearing organization or otherwise processed in accordance with Rule 15c3-1 (a) (2).

**Information for Possession or Control  
Requirements Under Rule 15c3-3**

**June 30, 2004**

Not applicable

675 Ygnacio Valley Road, Suite B-213  
Walnut Creek, California 94596

(925) 933-2626  
Fax (925) 944-6333

Independent Auditor's Report on Internal  
Accounting Control Required by SEC Rule 17a-5

Board of Directors  
Fortrend Securities, Inc.  
Reno, Nevada

In planning and performing our audit of the financial statements and supplemental schedules of Fortrend Securities, Inc. (the Company) for the period ended June 30, 2004, we considered its internal control including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objective stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payments for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.




Because of inherent limitations in internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at June 30, 2004, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulations of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

 + Associates

August 16, 2004